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December 14, 1981

Washington Metro: "Let's do it right"

RG037224 94MAR63 10304040F713
CONGRESSIONAL INFO SVC
SRI ACQUISITIONS
4520 EAST-WEST HWY #800
WASHINGTON DC 20014

Coal exports:
Railroads, ports get set for a surge

RAILWAY AGE

December 14, 1981

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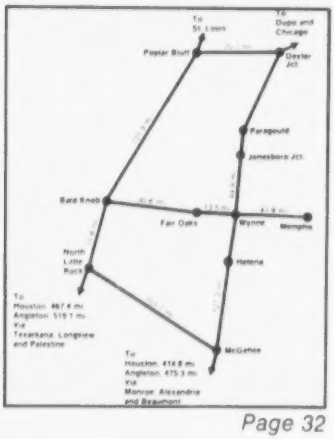

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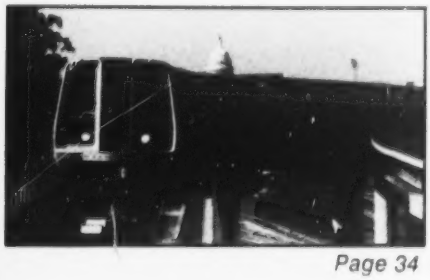

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Nobody knows how big the export boom will finally prove to be—but a growing number of ports on three coasts are betting that it will be very big indeed.

30 A bigger role for CN's northern line
CN Rail will spend $230 million to upgrade the 467-mile line between Prince George and Prince Rupert, a port that looms big in CN's export coal plans.

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34 Washington Metro: "Let's do it right"
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COVER: Collier takes on Chessie coal at Newport News, Va. Photo by Chessie Staff Photographer John B. Corns, Cleveland.

Half-year earnings nudge $1 billion

Despite a slight drop in both carloadings and ton-miles, Class I railroads were able to post ordinary (net) income of $977.3 million in this year's first half, more than double the $438.5 million they earned in first-half 1980. Operating revenues for the 1981 period rose to $15.241 billion, up 10.9% from 1980, while operating expenses were kept at $14.139 billion, up only 8.4%.

Dr. Harvey A. Levine, the AAR's vice president of economics and finance, attributed the relatively strong 1981 performance to "increases in coal traffic, greater operating efficiency, and rapid recovery of inflationary cost increases as permitted under the Staggers Rail Act of 1980."

While Dr. Levine found the improvement "gratifying," he cautioned that "total revenue adequacy requires a sustained period of rates of return equal to the cost of obtaining debt and equity financing." He said the 4.56% rate of return for the year ended June 30, 1981, was "substantially below the 12.1% railroad cost-of-capital as calculated by the Interstate Commerce Commission for the calendar year 1980, and even further below the anticipated cost of capital in 1981."

The AAR announced first-half results on Nov. 4. It will be several weeks before industry-wide results for the third quarter are tabulated. A number of individual-road reports are in, however. They are mixed, with the coal roads still showing extraordinary strength, other roads doing not so well.

The most spectacular third-quarter performance was reported by Norfolk & Western. NW's third-quarter net of $92.7 million was up 113% from the corresponding 1980 quarter; NW's nine-months income of $197.5 million was up 31% from 1980. Strong coal traffic more than offset softness in merchandise loadings, NW President Robert B. Claytor told financial analysts in New York. "We originated 8.8 million tons of coal for export during the quarter, substantially better than any previous quarter in our history and 28% above the third quarter last year," said Claytor.

Southern, NW's prospective merger partner, also reported record earnings for both the third quarter ($48.3 million, up 33.4% from the 1980 period) and the first nine months ($160.0 million, up 17%). Noting that these results were achieved in the face of reduced carloadings in many of the railroad's major commodities, Southern President Harold H. Hall said general rate increases and continued efforts to control costs accounted for the improvement, along with the comeback of coal following the 73-day miners' strike that ended in early June.

CSX Corp. railroads reported record third quarter earnings of $104.8 million, an increase of 87% over the $55.9 million posted in third quarter 1981, due to "exceptionally strong domestic and export coal markets, tight expense controls and merger related efficiencies." Nine-months earnings also were at a record high: $229.6 million, up 23% from 1980.

Conrail, which reported a profit of $13.8 million for the second quarter, did even better in the third quarter, with a black figure of $64.9 million—the first time in its history that it has reported consecutive quarterly profits. For the nine-month period, Conrail reported a net of $12.8 million, compared with a loss of $231.8 million for the comparable 1980 period. Said Conrail Chairman L. Stanley Crane: "This turnaround in the corporation's financial performance stems primarily from successful efforts to reduce costs, since carloadings of traffic in the first nine months of 1981 were 5.5% lower than in the same period of 1980. In 1981, Conrail management has emphasized a program to reduce the size of our rail plant and employee force to bring both in line with the traffic we now have and are projecting."

Union Pacific Railroad reported third-quarter earnings of $46.9 million, down 8% from the comparable 1980 figure. "The railroad's earnings reflect the overall economy," said James H. Evans, corporate chairman. "Total carloadings were down 5%, while revenue ton-miles declined 9%. Shipments in the farm products category were adversely affected by soft prices for grain. Coal traffic, however, was buoyed by steadily increasing shipments to the West Coast for export to the Pacific Rim and was up 20%."

Southern Pacific Co.'s railroad subsidiaries had operating income of $7.1 million in the third quarter, down from $32.5 million in the 1980 quarter. SP earnings were hurt by reduced loadings of lumber and plywood, processed foods, grain, paper products, petroleum and motor vehicle parts.

CLASS I RAILROADS IN THE UNITED STATES
For the Second Quarter

	1981 (millions)	1980 (millions)
Operating Revenues	$7,581.8	$6,943.2
Operating Expenses	7,178.7	6,646.5
Income Taxes on Ordinary Income	72.7	63.5
Provision for Deferred Taxes	62.8	64.2
Net Railway Operating Income		
United States	274.2	263.3
Eastern District	Def. 13.7	5.4
Southern District	96.4	100.7
Western District	191.5	157.3
Ordinary Income[1]		
United States	340.9	173.9
Eastern District	18.3	8.8
Southern District	96.1	90.1
Western District	226.5	74.9
For the First Six Months		
Operating Revenues	$15,241.4	$13,745.6
Operating Expenses	14,138.9	13,048.1
Income Taxes on Ordinary Income	198.0	123.6
Provision for Deferred Taxes	175.0	138.0
Net Railway Operating Income		
United States	742.8	557.4
Eastern District	29.3	Def. 5.7
Southern District	238.6	209.8
Western District	474.8	353.3
Rate of Return[2]		
After Provision for Deferred Taxes	4.56%	3.07%
Ordinary Income[1]		
United States	977.3	438.5
Eastern District	85.2	Def. 0.9
Southern District	246.2	193.2
Western District	645.8	246.1

Def.—Deficit
1 - Income before extraordinary items.
2 - Rate of return for 12 months ended June 30 (preliminary)

Market

CARLOADINGS

Loadings of revenue freight in the week ended Nov. 21 totaled 431,944 cars, according to the Association of American Railroads. This was a decrease of 28,057 cars, or 6.1%, compared with the corresponding week last year. Ton-miles generated by carloadings in the week ended Nov. 21 are estimated at 18.6 billion, a decrease of 2.4% below the corresponding week of 1980.

REVENUE FREIGHT CARLOADINGS

Commodity	Nov. 21 week	Nov. 14 week
Grain	30,437	26,979
Other farm products	6,256	6,581
Metallic ores	26,605	24,539
Coal	136,781	136,338
Crushed stone, gravel & sand	10,713	10,643
Nonmetallic minerals	9,662	10,158
Grain mill products	14,344	13,965
Food & kindred products	15,495	14,711
Primary forest products	18,636	17,806
Lumber & wood products (except furniture)	6,668	5,757
Pulp, paper & allied products	18,273	17,544
Chemicals & allied products	23,685	24,651
Petroleum products	5,535	5,024
Stone, clay & glass products	11,998	12,091
Coke	5,972	6,204
Metals & products	12,977	12,712
Motor vehicles & equipment	14,106	15,103
Waste & scrap materials	10,400	10,604
Forwarder & shipper assn. traffic	9,819	9,301
All other carloads	43,361	42,233
LCL traffic	221	237
Total Cars Loaded	**431,944**	**423,181**
Cumulative total, 47 weeks	1981 **19,841,042**	1980 **20,583,356**
Estimated revenue ton-miles (billions), 47 weeks	**838.2**	**833.5**

PIGGYBACK LOADINGS

U.S. piggyback loadings for the week ended Nov. 14 totaled 33,940 cars (7.2% above the corresponding 1980 week) and 61,919 trailers or containers (up 7.6% from 1980). Cumulative volume for the first 46 weeks of 1981 is 1,516,893 (up 2.5% from 1980) and 2,755,589 trailers or containers (up 2.5% from 1980).

CANADIAN CARLOADINGS

Canadian railway revenue freight loaded in the seven-day period ended Nov. 7 totaled 5.1 million tons (up 1.8% from 1980). Car loaded totaled 73,008 (down 2.1% from 1980). Cumulative loadings for 1981 were up to 217 million tons (down 4.0% from 1980).

● *Dowty Corp., Railway Products Division.*—Signed a contract with Nikex, the Hungarian Trading Company for Products of Heavy Industry, for supply of hydraulic retarders. The retarders, to be delivered by the end of the year, will be installed on a trial basis in one of the Hungarian State Railways' classification yards.

● *Federal Paper Board Co.*—Is acquiring 168 100-ton-capacity log cars from the Railcar Division of Evans Products Co.'s Transportation Systems and Industrial Group. The cars are designed to accommodate log lengths up to 65 feet.

● *New York Metropolitan Transportation Authority.*—Awarded a $5-million contract to Dravo Utility Constructors, Inc. (DUCI), a subsidiary of Dravo Corp., for construction management services in connection with the Long Island Rail Road's West Side storage yard project. LIRR's new $158-million yard, just two blocks from Pennsylvania Station in mid-Manhattan, will be able to accommodate up to 350 passenger railcars. It is due to be completed in 1985.

● *Freight cars and locomotives.*—The following report has been received from the AAR and the ARCI:

DELIVERED

	October 1981	October 1980	September 1981	Ten Months 1981	Ten Months 1980
Built new by carbuilders	2,656	6,956	3,299	37,137	70,712
Built new in RR shops	244	412	230	2,986	4,813
Built new—total	2,900	7,368	3,529	40,123	75,525
Rebuilt	115	21	84	962	1,143
TOTAL DELIVERED	**3,015**	**7,389**	**3,613**	**41,085**	**76,668**
Locomotives (new and rebuilt)	55	101	47	610	1,489

ORDERED

To be built new by carbuilders	638	1,847	1,743	14,662	33,058
To be built new in RR shops	375	200	0	628	3,115
To be built new—total	1,013	2,047	1,743	15,290	36,173
To be rebuilt	0	0	0	1,100	1,063
TOTAL ORDERED	**1,013**	**2,047**	**1,743**	**16,390**	**37,236**

ON ORDER AND UNDELIVERED

	November 1 1981	November 1 1980	October 1 1981	Average backlog 1981	Average backlog 1980
To be built new by carbuilders	16,685	53,389	19,837	30,377	78,923
To be built new in RR shops	2,146	4,554	2,015	2,882	5,486
To be built new—total	18,831	57,943	21,852	33,259	84,409
To be rebuilt	138	20	253	292	290
TOTAL ON ORDER	**18,969***	**57,963**	**22,105**	**33,551**	**84,699**
Locomotives (new and rebuilt)	184	496	228	322	870

*Due to revisions and cancellations of some orders, the November 1, 1981 backlog has been reduced by 1,134 cars.